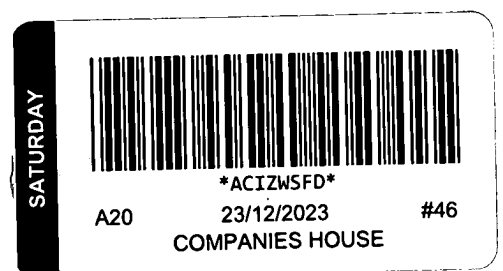


Registration number: 02695921

# VUR Village Hotels Limited

Report and Financial Statements

for the Year Ended 31 December 2022



# **VUR Village Hotels Limited**

## **Contents**

<b>Company Information</b>	<b>1</b>
<b>Strategic Report</b>	<b>2 to 3</b>
<b>Directors' Report</b>	<b>4 to 6</b>
<b>Statement of Directors' Responsibilities</b>	<b>7</b>
<b>Independent Auditor's Report</b>	<b>8 to 11</b>
<b>Statement of Comprehensive Income</b>	<b>12</b>
<b>Balance Sheet</b>	<b>13</b>
<b>Statement of Changes in Equity</b>	<b>14</b>
<b>Notes to the Financial Statements</b>	<b>15 to 20</b>

# **VUR Village Hotels Limited**

## **Company Information**

<b>Directors</b>	G R Davies P Roberts
<b>Registered office</b>	Cygnat Court Ground Floor 230 Cygnat House Centre Park Warrington WA1 1PP
<b>Auditors</b>	Ernst & Young LLP Third Floor, Clockwise Edward House Edward Pavilion Albert Dock Liverpool L3 4AF

## **VUR Village Hotels Limited**

### **Strategic Report for the Year Ended 31 December 2022**

The Directors present their strategic report for the year ended 31 December 2022.

#### **Business Review**

The Company is part of the Village Group, defined as VUR Holdings (UK) Limited and its subsidiaries, which owns and operates hotels and leisure clubs. The Group is ultimately owned and operated by investment funds managed by KSL Capital Partners ("KSL").

KSL is a private equity firm specialising in travel and leisure enterprises in five primary sectors: hospitality, recreation, clubs, real estate, and travel services. KSL has offices in Denver, Colorado; Stamford, Connecticut; and London, United Kingdom.

#### **Principal activity**

The Company is a holding company and did not trade during the year.

#### **Principal risks and uncertainties**

##### ***Economic risk***

The Group is principally concerned with risks associated with the current pressures on the UK economy such as rising inflation, which might contribute to a downturn in the economy. In terms of the impact this might have on revenues, the Directors consider that unfavourable economic conditions could reduce consumer discretionary spending, and the Group has sought to mitigate this through driving engagement with both its corporate and private customers to ensure retention, as well as focusing on pricing and quality of its services to ensure it represents good value compared to competitors.

In relation to costs, the current rise in inflation is partially attributed to increasing utility costs and other costs, including food costs, in the UK market. The Group has sought to mitigate the impact of further increases in the future through various policies including hedging against utility price increases, and continues to review these on a regular basis.

##### ***Interest risk***

As a condition of the new Facility Agreement obtained in March 2022, the Group has obtained financial instruments to protect it from further interest rate rises following the continued increase in the Bank of England interest rate from December 2021. This instrument covers the period to March 2024.

##### ***Ukraine/Russia conflict risk***

All of the Group's sales are made in the UK, and the Group does not directly import goods itself, but relies on its major suppliers in relation to sourcing goods. They ensure that they can continue to fulfil the Group's purchase requirements as per their contracts with the Group.

##### ***Financial instruments risk***

The Company is financed by loans from group undertakings which are unsecured and repayable on demand. This risk is mitigated by the continued financial support pledged by the Company's parent undertaking, VUR Holdings (UK) Limited.

##### ***Covid-19***

The Company is a holding company and did not trade during the year. The Company was unaffected by Covid-19 in the year.

##### ***Climate change risk***

The nature of the Group's activities and the fact that they are located in the UK in areas over a very broad geographical area mean that the Group's direct exposure of its assets to major adverse weather related impacts of climate change are assessed as relatively low risk. The Directors do not anticipate their assets will be affected by any major adverse weather related incidents and in any event the Group has insurance against any major adverse weather-related incidents such as fire, lightning, earthquakes and storms. Notwithstanding the assessment of the direct impact of climate change on its assets the Group is committed to finding a path to net zero and is committed to its ESG policy and principles.

## VUR Village Hotels Limited

### Strategic Report for the Year Ended 31 December 2022 (continued)

#### *Liquidity risk*

The Group aims to mitigate cash flow risk by carefully managing and monitoring its cash generation from its operations. In March 2022 the Group obtained a new facility with new lenders Village Finco 2022 LLC and Euro Ruby Private Limited for an initial three year term. Under the new facility the Group maintains open dialogue with both KSL and its lenders, and a detailed treasury model updated with sufficient regularity ensures potential liquidity challenges would be addressed and resolved quickly. This is included in the monthly and quarterly reporting that the Group makes to its lenders and KSL. The forecast also allows the Group to maintain a self-imposed minimum cash holding as a buffer.

Approved and authorised by the Board on 20 December 2022 signed on its behalf by:

DocuSigned by:

Paul Roberts

3548F9DCFA2E462.....

P Roberts  
Director

# **VUR Village Hotels Limited**

## **Directors' Report for the Year Ended 31 December 2022**

The Directors present their report and the financial statements for the year ended 31 December 2022.

### **Results and dividends**

The profit for the year, after taxation, amounted to £nil (2021: Profit of £nil). No dividends were paid or received during the year (2021: £nil).

Net assets at 31 December 2022 were £952,000 (2021: £952,000).

### **Directors of the Company**

The Directors who held office during the year were as follows:

G R Davies

P Roberts

### **Matters covered in the strategic report**

The Company's key financial instrument risks are disclosed within the Strategic Report.

### **Directors' liabilities**

Directors' and officers' insurance cover has been established for all Directors to provide appropriate cover for their reasonable actions on behalf of the Company. The indemnities constitute a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, were in force during the 2022 financial year and remain in force for the Directors of the Company.

### **Corporate governance**

The Group has a Corporate Governance framework in place to ensure that the business has appropriate decision making processes and controls which ensure that the interest of all stakeholders (shareholders, employees, suppliers, customers and the community) are balanced. The framework includes the processes by which the Group's objectives are set and pursued in the context of the social regulatory and market environment. The framework is concerned with policies, practices and procedures to enable the Group to achieve its commercial objectives whilst giving confidence to stakeholders that their trust in the Group's Executive Team consisting of the Chief Executive Officer, Chief Finance Officer, General Counsel and all Operational Directors is well founded.

### **Going concern**

The Company is reliant on financial support from its parent company, VUR Holdings (UK) Limited, who has confirmed by a letter of support that it will provide financial support to assist the Company to meet its liabilities as and when they fall due.

The Directors have adopted the going concern basis in preparing these financials statements after assessing the financial forecasts of the Company and the wider Group for the period to 31 December 2024 whilst considering a range of sensitivities for plausible downside scenarios. These include factors such as the current economic climate, escalating inflation (partially driven by the increase in utility costs) and its impact on consumer discretionary spending.

With the exception of the unique trading following the mandatory closure of its business in the UK national lockdowns during Covid-19 pandemic, the Group has been a profitable business with a strong cash position. The Group also has a supportive equity owner, KSL. During the challenging trading conditions encountered during the Covid-19 UK lockdowns, KSL provided equity injections to ensure the Business had sufficient cash to continue to operate. As such, at that time KSL proved themselves to be a supportive equity sponsor who will provide financial assistance if needed.

Following the Group's refinancing in March 2022, the Group is required to meet its financial covenant to avoid breaching the terms of its facility agreement. The financial covenant requires that at each quarter end the Group's loan to value ratio does not exceed a pre-determined threshold. This ratio has been considered as part of the Group's going concern assessment.

## **VUR Village Hotels Limited**

### **Directors' Report for the Year Ended 31 December 2022 (continued)**

In order to assess the going concern assumption, the focus of the Directors has been the potential impact of a downturn in the economy, together with a continued escalation in inflation. They have therefore applied several sensitivities to the forecasts to assess the impact of these potential negative market conditions on trading. The sensitised forecasts assume that the economic climate could impact on consumer discretionary spending, reducing revenues below forecast, and that costs could rise further than forecast. It should be noted that the Directors have already factored in the current economic conditions and the potential impact of those on future financial performance when preparing the Group's base case forecast.

Management have assessed the Group's ability to continue as a going concern and prepared financial statements on that basis. Management have carried out a robust assessment of the principal risks and uncertainties facing the Group, which could impact the business model, focussing specifically on:

- The Group's current financial position and prospects
- Increasing utility costs
- Increasing costs of living and the potential impact across the Group's revenues due to reduced consumer discretionary spending
- Increasing costs of Food & Beverage
- Potential further increases in national living wage rates

In assessing the going concern assumption for these financial statements, the Directors have prepared cash flow and profit forecasts to consider the Group's ability to comply with its financial covenant, and to continue to pay its debts as they fall due, including amounts owed to its lenders and mandatory capital expenditure requirements. The financial covenant requires that at each quarter end the Group's Loan to Value ratio does not exceed a pre-determined threshold. This ratio has been considered as part of the Group's going concern assessment.

A base case cash flow forecast has been prepared for the period to 31 December 2024. As forecasting is inherently difficult in the current environment, with both revenues and costs being potentially impacted by external factors, the Directors have applied sensitivities to the base case forecasts, challenging the forecasted values by incorporating severe scenarios which include a severe but plausible scenario as follows:

- Food and Beverage costs increase by a further 10% on the base case forecast
- Utilities increase by 75% (utilities are currently partially hedged through 2023)
- Departmental payroll increases by 10% on the base case
- Rooms occupancy falls by 10% on the base case
- Health & Fitness joiners fall by 20% on the base case; and
- Meetings & Events revenues fall by 20% on the base case forecast

## VUR Village Hotels Limited

### Directors' Report for the Year Ended 31 December 2022 (continued)

The implications of this scenario are as follows:

- The Business would continue to make its investment in capex (both FF&E and discretionary) as currently planned per the forecast.
- The Business continues to have sufficient cash balances to make its interest payments as they fall due.
- Loan to Value is met throughout the period with 25% headroom.
- The lowest cash balance would be £7.4m in May 2024, building to £9.3m by the end of December 2024. As such, no equity injections would be required to support the Business from a cash flow perspective.

The base case and sensitised cashflows demonstrate that sufficient cash resources exist in all scenarios with the minimum cash position in the base case being £29.6m in May 2023, and £7.4m as the lowest point in the most severe downside sensitivities.

It should be noted that the Directors have already factored the potential impact of the current economic climate into their base case plan when considering the overall environment in which it is likely to be operating. Interest has been hedged through to March 2024 with an interest rate cap at 3%. The Directors are considering options available to them in respect of future hedging arrangements post expiry.

Furthermore, the Directors also feel that whilst the sensitivities applied are each plausible, it is unlikely that all the proposed sensitivities would occur at once, and to such an extent as tested within the going concern assessment. Furthermore, the Directors would be able to mitigate the impact of some of these factors by reducing discretionary capex investment.

Following this detailed exercise and considering the results of the base case forecast, downside scenarios and severe but plausible sensitivities, the Directors are satisfied that the financial covenant will be met for the period covered by the forecast (up to 31 December 2024) therefore there will be no breach of the Facility Agreement. The forecasts show sufficient liquidity in the Business to continue to pay all its debts as they fall due. As such the directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

#### Post balance sheet events

Since the year end, the Group has commenced a review of its corporate group structure, with a view to removing several companies with no trading activities. As part of this review, it is anticipated that intercompany debtors of £1.0m will be written off, reducing the company's net assets.

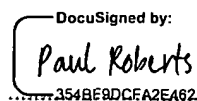
#### Disclosure of information to the auditors

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

#### Reappointment of auditors

Ernst & Young LLP have expressed their willingness to continue as auditors in accordance with notice 487(2) of the Companies Act 2006.

Approved and authorised by the Board on 20 December 2023 signed on its behalf by:

DocuSigned by:  
  
.....354BE8DCFA2EA62.....  
P Roberts  
Director



## **VUR Village Hotels Limited**

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with the requirements of the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- state whether applicable UK accounting standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report and Directors' report that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

## **VUR Village Hotels Limited**

### **Independent Auditor's Report to the Members of VUR Village Hotels Limited**

#### **Opinion**

We have audited the financial statements of VUR Village Hotels Limited for the year ended 31 December 2022 which comprise the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 10, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## **VUR Village Hotels Limited**

### **Independent Auditor's Report to the Members of VUR Village Hotels Limited (continued)**

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **VUR Village Hotels Limited**

### **Independent Auditor's Report to the Members of VUR Village Hotels Limited (continued)**

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are: Companies Act 2006, FRS 102, UK tax legislation, Health and Safety at Work Act.
- We understood how VUR Village Hotels Limited is complying with those frameworks by performing a variety of procedures including but not limited to: enquiry of key management personnel and entity legal counsel, reading board minutes and other relevant correspondence, evidencing internal policies and procedures back to documentation.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by assessing the risk of fraud absent of controls, and then identifying the controls which are in place at the entity level and whether the design of these controls is sufficient for the prevention and detection of fraud. We also consider the risk of management override by way of manual topside journals.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiry of key management personnel and entity legal counsel, evidencing internal policies and procedures back to documentation. In respect of the risk of management override we performed tailored journal entry testing to identify a subset of the whole population that might pertain to fraud risk areas.

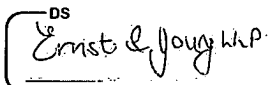
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **VUR Village Hotels Limited**

### **Independent Auditor's Report to the Members of VUR Village Hotels Limited (continued)**

#### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Elizabeth Jones (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
Liverpool

Date: 21 December 2023

## VUR Village Hotels Limited

### Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Turnover		-	-
Administrative expenses		<u>-</u>	<u>-</u>
Profit/(loss) before tax		-	-
Taxation		<u>-</u>	<u>-</u>
Profit/(loss) for the financial year		<u><u>-</u></u>	<u><u>-</u></u>
 Total comprehensive loss for the year		 <u><u>-</u></u>	 <u><u>-</u></u>

The above results were derived from continuing operations.


The company has no recognised gains or losses for the year other than the results above.

# VUR Village Hotels Limited

(Registration number: 02695921)  
Balance Sheet as at 31 December 2022

	Note	2022 £ 000	2021 £ 000
<b>Fixed assets</b>			
Investments		-	-
<b>Current assets</b>			
Debtors	5	989	989
Creditors: Amounts falling due within one year	6	<u>(37)</u>	<u>(37)</u>
<b>Net current assets</b>		<u>952</u>	<u>952</u>
<b>Net assets</b>		<u>952</u>	<u>952</u>
<b>Capital and reserves</b>			
Called up share capital	7	10	10
Share premium reserve		4	4
Profit and loss account		<u>938</u>	<u>938</u>
<b>Shareholders' funds</b>		<u>952</u>	<u>952</u>

Approved and authorised by the Board on 20 December 2022 Signed on its behalf by:

DocuSigned by:  
  
 354BF9DCFA2E462

P Roberts  
Director

# **VUR Village Hotels Limited**

## **Statement of Changes in Equity for the Year Ended 31 December 2022**

	<b>Share capital</b>	<b>Share premium</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
At 1 January 2022	10	4	938	952
Profit/(loss) for the year	-	-	-	-
At 31 December 2022	<u>10</u>	<u>4</u>	<u>938</u>	<u>952</u>

	<b>Share capital</b>	<b>Share premium</b>	<b>Profit and loss account</b>	<b>Total</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
At 1 January 2021	10	4	938	952
Profit/(loss) for the year	-	-	-	-
At 31 December 2021	<u>10</u>	<u>4</u>	<u>938</u>	<u>952</u>



# **VUR Village Hotels Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2022**

### **1 General information**

The Company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Cygnat Court Ground Floor  
230 Cygnat House  
Centre Park  
Warrington  
WA1 1PP

### **2 Accounting policies**

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006'.

#### **Basis of preparation**

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

All amounts in these financial statements are stated in GBP and rounded to the nearest £1,000.

#### **Going concern**

The Company is reliant on financial support from its parent company, VUR Holdings (UK) Limited, who has confirmed by a letter of support that it will provide financial support to assist the Company to meet its liabilities as and when they fall due.

The Directors have adopted the going concern basis in preparing these financials statements after assessing the financial forecasts of the Company and the wider Group for the period to 31 December 2024 whilst considering a range of sensitivities for plausible downside scenarios. These include factors such as the current economic climate, escalating inflation (partially driven by the increase in utility costs) and its impact on consumer discretionary spending.

With the exception of the unique trading following the mandatory closure of its business in the UK national lockdowns during Covid-19 pandemic, the Group has been a profitable business with a strong cash position. The Group also has a supportive equity owner, KSL. During the challenging trading conditions encountered during the Covid-19 UK lockdowns, KSL provided equity injections to ensure the Business had sufficient cash to continue to operate. As such, at that time KSL proved themselves to be a supportive equity sponsor who will provide financial assistance if needed.

Following the Group's refinancing in March 2022, the Group is required to meet its financial covenant to avoid breaching the terms of its facility agreement. The financial covenant requires that at each quarter end the Group's loan to value ratio does not exceed a pre-determined threshold. This ratio has been considered as part of the Group's going concern assessment.

## **VUR Village Hotels Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **2 Accounting policies (continued)**

In order to assess the going concern assumption, the focus of the Directors has been the potential impact of a downturn in the economy, together with a continued escalation in inflation. They have therefore applied several sensitivities to the forecasts to assess the impact of these potential negative market conditions on trading. The sensitised forecasts assume that the economic climate could impact on consumer discretionary spending, reducing revenues below forecast, and that costs could rise further than forecast. It should be noted that the Directors have already factored in the current economic conditions and the potential impact of those on future financial performance when preparing the Group's base case forecast.

Management have assessed the Group's ability to continue as a going concern and prepared financial statements on that basis. Management have carried out a robust assessment of the principal risks and uncertainties facing the Group, which could impact the business model, focussing specifically on:

- The Group's current financial position and prospects
- Increasing utility costs
- Increasing costs of living and the potential impact across the Group's revenues due to reduced consumer discretionary spending
- Increasing costs of Food & Beverage
- Potential further increases in national living wage rates

In assessing the going concern assumption for these financial statements, the Directors have prepared cash flow and profit forecasts to consider the Group's ability to comply with its financial covenant, and to continue to pay its debts as they fall due, including amounts owed to its lenders and mandatory capital expenditure requirements. The financial covenant requires that at each quarter end the Group's Loan to Value ratio does not exceed a pre-determined threshold. This ratio has been considered as part of the Group's going concern assessment.

A base case cash flow forecast has been prepared for the period to 31 December 2024. As forecasting is inherently difficult in the current environment, with both revenues and costs being potentially impacted by external factors, the Directors have applied sensitivities to the base case forecasts, challenging the forecasted values by incorporating severe scenarios which include a severe but plausible scenario as follows:

- Food and Beverage costs increase by a further 10% on the base case forecast
- Utilities increase by 75% (utilities are currently partially hedged through 2023)
- Departmental payroll increases by 10% on the base case
- Rooms occupancy falls by 10% on the base case
- Health & Fitness joiners fall by 20% on the base case; and
- Meetings & Events revenues fall by 20% on the base case forecast

## **VUR Village Hotels Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **2 Accounting policies (continued)**

The implications of this scenario are as follows:

- The Business would continue to make its investment in capex (both FF&E and discretionary) as currently planned per the forecast.
- The Business continues to have sufficient cash balances to make its interest payments as they fall due.
- Loan to Value is met throughout the period with 25% headroom.
- The lowest cash balance would be £7.4m in May 2024, building to £9.3m by the end of December 2024. As such, no equity injections would be required to support the Business from a cash flow perspective.

The base case and sensitised cashflows demonstrate that sufficient cash resources exist in all scenarios with the minimum cash position in the base case being £29.6m in May 2023, and £7.4m as the lowest point in the most severe downside sensitivities.

It should be noted that the Directors have already factored the potential impact of the current economic climate into their base case plan when considering the overall environment in which it is likely to be operating. Interest has been hedged through to March 2024 with an interest rate cap at 3%. The Directors are considering options available to them in respect of future hedging arrangements post expiry.

Furthermore, the Directors also feel that whilst the sensitivities applied are each plausible, it is unlikely that all the proposed sensitivities would occur at once, and to such an extent as tested within the going concern assessment. Furthermore, the Directors would be able to mitigate the impact of some of these factors by reducing discretionary capex investment.

Following this detailed exercise and considering the results of the base case forecast, downside scenarios and severe but plausible sensitivities, the Directors are satisfied that the financial covenant will be met for the period covered by the forecast (up to 31 December 2024) therefore there will be no breach of the Facility Agreement. The forecasts show sufficient liquidity in the Business to continue to pay all its debts as they fall due. As such the directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

## **VUR Village Hotels Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **2 Accounting policies (continued)**

##### **Judgements and key sources of estimation and uncertainty**

The preparation of financial statements in compliance with FRS 102 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from these estimates. There were no judgements or material estimation uncertainties affecting the reported financial performance in the current or prior year.

##### **Summary of disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7;
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a) (iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A.

##### **Exemption from preparing group accounts**

The financial statements contain information about VUR Village Hotels Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, VUR Investment (UK) Limited, a company incorporated in England and Wales.

##### **Taxation**

Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income or expense recognised as other comprehensive income or an item recognised directly in equity is also recognised directly in other comprehensive income or directly in equity respectively.

##### **Investments**

Investments in subsidiaries are measured at cost less accumulated impairment. Impairment reviews of the recoverable amount of investments are carried out annually at the balance sheet date and whenever events occur that may be an indicator of impairment.

##### **Debtors**

Short term debtors are measured at the transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

## VUR Village Hotels Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

#### 3 Auditors' remuneration

The auditors' fee for the year of £2,000 (2021: £1,000) was settled by a fellow group company, VUR Village Trading No 1 Limited. No inter-company liability has arisen as a result.

#### 4 Employees and Directors' remuneration

	2022	2021
	£ 000	£ 000
Directors' remuneration	1,541	1,518
Company contributions to defined contribution pension schemes	20	20
	<u>1,561</u>	<u>1,538</u>

In both the current and the prior year the directors' emoluments were borne by the Company VUR Investment (UK) Limited. The remuneration of the highest paid director was £974,000 (2021: £1,003,000).

Directors' remuneration in respect of services provided to the Company were borne by VUR Investment (UK) Limited in both the periods ended 31 December 2022 and 31 December 2021, and was recharged to the Company VUR Village Trading No 1 Ltd. It is not practical to split the remuneration of the directors between the companies.

#### 5 Debtors

	2022	2021
	£ 000	£ 000
Amounts owed by group undertakings	989	989
	<u>989</u>	<u>989</u>

Amounts owed by group undertakings are unsecured and receivable on demand.

#### 6 Creditors: Amounts falling due within one year

	2022	2021
	£ 000	£ 000
<b>Due within one year</b>		
Amounts owed to group undertakings	<u>37</u>	<u>37</u>

Amounts owed to group undertakings are unsecured and payable on demand.

## VUR Village Hotels Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

#### 7 Share capital

##### Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	9,540	9,540	9,540	9,540

##### Rights, preferences and restrictions

The ordinary shares carry a right to vote at all general meetings of the Company, a right to share in any dividend issued by the Company, and a right to share in a distribution of the Company (including on a winding up). The ordinary shares are not redeemable.

#### 8 Contingent liabilities

Under the terms of the loan facility agreement dated 18 March 2022 between VUR Investment (UK) Limited and Village Finco 2022, LLC and Euro Ruby Private Limited a charge exists over all of the assets owned and operated by the Group. Total borrowings under the loan facility agreement at the year-end amounted to £465,000,000 (2021: £408,462,000).

#### 9 Parent and ultimate parent undertaking

The immediate parent company is VUR Investment UK Limited, a company registered in England and Wales.

The smallest group of companies in which the Company is a member and for which group accounts are prepared at 31 December 2022, is VUR Investment UK Limited. The largest group of companies in which the Company is a member, and for which group accounts are prepared at 31 December 2022, is VUR Holdings (UK) Limited.

In the opinion of the Directors, the ultimate controlling party at 31 December 2022 is Monroe Offshore (Alternative), LP, a Limited Partnership registered in Cayman Islands.

#### 10 Post balance sheet events

Since the year end, the Group has commenced a review of its corporate group structure, with a view to removing several companies with no trading activities. As part of this review, it is anticipated that intercompany debtors of £1.0m will be written off, reducing the company's net assets.